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Debt Ceiling – Will Pass – MUST READ

Debt ceiling passes now; Boehner will push Reid’s plan to avoid default.

Parkinson in 7/25 (John, writer for ABC News, 7/25/11, “Boehner on Plan to Increase Debt Limit: ‘Less Than Perfect’ but ‘Good Step in the Right Direction’”, <http://blogs.abcnews.com/thenote/2011/07/boehner-on-plan-to-increase-debt-limit-less-than-perfect-but-good-step-in-the-right-direction.html>) AS

Boehner predicted that the proposal would win enough support to pass the House and the Senate, and he called on President Obama to retract his threat to veto legislation that does not raise the debt limit in one fell swoop. “Time’s running short,” Boehner warned. “I’m urging my House colleagues to support it and I’m urging my Senate colleagues to support it as well, and I think it would be irresponsible for the president to veto such legislation, because it is a commonsense plan and would help us avoid default.” House Majority Leader Eric Cantor said that while the Republicans’ preference would still be the Cut, Cap, and Balance legislation that was rejected in the Senate last week, this new proposal “is a well thought-out and reasoned plan, in which no side gets all that they want.”

Debt Ceiling – Will Pass – Democrats

**Reid proposed plan to raise the debt limit gains Obama’s approval**

**Silverleib 7/25/11** (Alan, Senior Political Researcher for CNN, “Boehner, Reid unveil new debt plans as deadline nears”, 7/25/11 <http://www.cnn.com/2011/POLITICS/07/25/debt.talks/index.html?hpt=hp_p1&iref=NS1>)

To defuse the crisis, Senate Majority Leader Harry Reid, D-Nevada, outlined a blueprint calling for roughly $2.7 trillion in spending cuts over the next decade while raising the debt limit by $2.4 trillion -- an amount sufficient to fund the government through next year's election. Reid's plan would not require any new tax hikes and would not mandate any reforms to Medicare, Medicaid and Social Security, politically popular entitlement programs that are facing skyrocketing growth in costs. Specifically, Reid's plan includes $1.2 trillion in savings from various domestic and defense programs, along with $1 trillion in savings from winding down the wars in Iraq and Afghanistan. It also generates $400 billion in interest savings on the debt, and another $40 billion by rooting out waste, fraud and abuse. Reid's proposal would establish a congressional committee made up of 12 House and Senate members to consider additional options for debt reduction. The committee's proposals would be guaranteed a Senate vote with no amendments by the end of the year. Obama immediately endorsed the Reid plan. Carney called it a "responsible compromise ... that should receive the support of both parties." "I hope my colleagues on the other side will still know a good deal when they see it. I hope they'll remember how to say yes," Reid said. "Democrats have done more than just meet Republicans in the middle. We've met them all the way." Reid stressed that his plan doesn't include tax hikes and cuts spending more than it increases the debt ceiling -- two key GOP demands.

Debt ceiling passes now even without Democrat support.

Hennessey in 7/26 (Kathleen, writer for the LA Times, 7/26/11, “GOP leaders seek to build support for Boehner debt plan”, <http://www.latimes.com/news/politics/la-pn-boehner-plan-20110726,0,4225404.story?track=rss>) AS

House Republican leaders tried to sell their deficit reduction proposal as the only "bipartisan" plan on the table, but acknowledged they don't yet have the votes to pass the bill through the House. At a morning press conference, House Speaker John Boehner said despite some push back from high-profile House conservative he's optimistic the House will pass the plan tomorrow. "I do think we have some work to do to get it pass but I think we can do it," Boehner told reporters. If House Democrats remain largely united against the bill – as they claim they will – Boehner will need all but roughly 20 of his GOP members. Five Democrats already voted for a stricter version of the Boehner plan.

Debt Ceiling – Will Pass – Republicans

Debt ceiling will pass now, but it’s going to require political capital

Parkinson 7-26-11 (John, writer for ABC News “Boehner Says Debt Limit Plan Will Likely Take Bipartisan Support to Pass” July 26, http://blogs.abcnews.com/thenote/2011/07/boehner-says-debt-limit-plan-will-likely-take-bipartisan-support-to-pass.html 2011 11:32 AM MG)

Coming out of a closed-door meeting with rank and file Republicans this morning, House Speaker John Boehner said he believes his bill has bipartisan support to pass the House of Representatives and the Senate, and he said that he believed his plan, which would cut $1.2 trillion upfront through discretionary spending caps, “is enough” to quell the markets. Facing a backlash from some members on the more conservative wing in the Republican Party, Boehner admitted that his measure will likely take bipartisan support to send it to the Senate, but he was still confident it would pass. “I do think that we’re going to have some work to do to get it passed, but I think we can do it,” Boehner said. Boehner called on members of both parties to review the plan and consider supporting it when it comes to the floor for a vote Wednesday. “Remember in the second stage, when the joint select committee gets together they’re required to find cuts of at least $1.8 trillion,” Boehner, R-Ohio, said. “They can do far more, but I do think it’s time for Congress to do its work, and the first step in this process is to make sure that we pass this in the House and I would ask all of my colleagues – both Democrats and Republicans, to look at this commonsense plan, this common sense way forward that will avoid default and put America’s fiscal house back in order.” Boehner said that while “the president’s looking for a blank check” his bill is “a reasonable approach, negotiated with the Senate leadership that really is common sense.” “It has more cuts in spending than you have an increase in the debt limit,” Boehner said. “It has real caps and a real process for cutting spending before the end of this year and it provides for I think the best effort to get a balanced budget amendment enacted to the Constitution. It’s reasonable, it’s responsible, it can pass the House and it can pass the Senate. I hope the president can consider signing it into law.” Boehner said that while he would prefer the “Path to Prosperity” Republican Budget, his legislation is “a product of a bipartisan discussion and a bipartisan negotiation. That’s why it’s not exactly everything that we want it to be.” The speaker said that the plan’s package of discretionary cuts is “real” and said “next year’s spending on the discretionary side will be lower than this year’s spending.” “That is a big step in the right direction. We put real caps in place. I don’t have the numbers at my fingertips,” Boehner said. “All I know is that it’s going to be less than it was last year.” Rep. Jeb Hensarling, the House Republican Conference chairman, said he thought “the president’s speech last night I believe was historic,” as President Obama expressed his opposition to a two-step process to increase the debt limit. “I do not recall the last time a president of the United States used a nationally televised address not to tell the American people what he was for, but to tell the American people what he was against. Seven days out from his Aug. 2 deadline there is still no plan to deal with the debt crisis from the president,” Hensarling, R-Texas, said. “It’s not about the next election. It’s about the next generation.” House Majority Whip Kevin McCarthy pointed out that although President Obama said he opposes the Boehner plan, the president has not issued a veto threat. “Remember what the president did not say last night,” McCarthy, R-Calif., said. “He did not say he would veto it.”

House Republicans are pushing for Boehner’s deal on the debt limit.

**Kucinich in 7/26** (Jackie, writer for USA Today, 7/26/11, “Cantor still confident Boehner plan can pass”, <http://content.usatoday.com/communities/theoval/post/2011/07/cantor-still-confident-boehner-plan-can-pass/1>) AS

Majority Leader Eric Cantor remained confident that the plan pitched by Speaker John Boehner (R-Ohio) was the best Republicans could hope for at this point in the debate over the debt limit and stressed to Republicans still holding out for something better that this is the end of the line. Cantor, R-Va., and his fellow leaders have spent the last day trying to get the House Republicans on board with the two-step plan that would provide for an temporary debt-ceiling increase of $1 trillion -- about six months worth -- along with $1.2 trillion in budget cuts over the next 10 years. "We still have work to do, sure," Cantor told USA TODAY, noting he did not have the list of members who were leaning 'no' on the bill. "There are still members with a lot of questions, lot of people that are just beginning to focus on the language that was posted last night."

Debt Ceiling – Will Pass – Posturing

Don’t listen to their impacts, it will pass. It’s just a matter of how much to raise the debt limit and with what qualifications. Republicans and democrats are cooperating, Obama is the problem.

USA Today 7-25 (7/25/11 http://www.usatoday.com/news/washington/2011-07-25-boehner-reid-debt-tax-hikes\_n.htm?csp=Dailybriefing

President Obama and House Speaker John Boehner faced off in back-to-back addresses to the nation Monday in prime-time, after House Republicans and Senate Democrats emerged with competing plans to address the U.S. debt ceiling. One of the biggest obstacles remaining: the size of the debt limit increase. House Republicans want an increase of $1 trillion — enough to last about six months, with future increases tied to more cuts and a House and Senate vote on a balanced budget amendment. The Senate wants $2.4 trillion, enough to get through the 2012 election. "Based on what we've seen these past few weeks, we know what to expect six months from now," Obama said during a prime-time address to the nation, calling on Americans to urge Congress to compromise. House Speaker John Boehner said he tried to work with Obama, but the president "would not take yes for an answer." "The sad truth is that the president wanted a blank check six months ago, and he wants a blank check today," Boehner said.With a House vote scheduled for Wednesday on the Boehner plan and no timetable in the slower-paced Senate, few days would be left to reconcile the two before the government faces the prospect of default.But there is movement: Both plans take tax hikes off the table, something Democrats had insisted upon as part of a grand deficit-reduction deal. Republicans have also softened their demand to make an increase in the debt limit subject to an immediate vote on a balanced budget amendment. Both sides have settled on an immediate vote on at least $1.2 trillion in spending cuts. They've also agreed there should be a process to propose future cuts, and give them an up-or-down vote.The House Republican plan is a modified version of the bill passed by the House, but rejected by the Senate last week. The vote on a balanced budget amendment would be delayed, and many of the spending cuts would be up to a congressional commission.A number of conservatives said they won't support anything short of the original House position. "Washington wants a deal. Americans want a solution," said Rep. Jim Jordan, R-Ohio. The Senate plan, by Majority Leader Harry Reid, D-Nev., proposes $2.7 trillion in cuts over 10 years, with no reductions in entitlement benefits such as Social Security or Medicare.Reid said it also meets two Republican demands: No tax increases and spending cuts at least as large as the debt limit increase.

Debt Ceiling – Will Pass – Generic

Passes now – Senior advisor to the White House is confident a deal will be made.

Sweet in 7/26 (Lynn, writer for the Chicago Sun-Times, 7/26/11, “Plouffe: Administration not blindsided, confident of debt ceiling deal”, <http://blogs.suntimes.com/sweet/2011/07/plouffe_administration_not_bli.html>) AS

White House senior advisor David Plouffe, President Obama's 2008 campaign manager, told me Tuesday the administration was not blindsided by the Republicans linking deep spending cuts to a deal to raise the debt ceiling. Raising the ceiling has been fairly routine in the past for Presidents Ronald Reagan, George H.W. Bush, Bill Clinton and George W. Bush--never getting to the crisis point we seem to be at now, with an Aug. 2 default deadline brewing. Republicans, pushed by Tea Party anti-spending hardliners, seized on the debt ceiling vote as an opportunity to force deep spending cuts. Plouffe said the Obama team had seen the linkage coming and did not object--because the president had long been interested in reducing the deficit. He also was confident there would be a deal. "I think people should be confident that at the end of the day, there will be a compromise reached to make sure we, A, don't default; B, get a significant down payment in terms of deficit reduction; and then C, understand we still have a lot of work to do -- because this is a unique moment in Washington," Plouffe said.

Debt Ceiling – Won’t Pass – Dems

Won’t pass - Democrats won’t support Reid’s new plan for spending cuts.

Walter in 7/25 (Amy, writer for ABC News, 7/25/11, “Democratic Rep. on Reid Plan: 'Going to very, very hard for Democrats in the House' to Support”, <http://blogs.abcnews.com/thenote/2011/07/rep-karen-bass-d-ca-on-debt-ceiling-deal-i-think-this-deal-gets-done.html>) AS

President Obama may be endorsing Majority Leader Harry Reid’s debt ceiling proposal, but the plan isn’t likely to get a warm embrace by House Democrats. In an interview with ABC News’ Top Line today, freshman Democratic Rep. Karen Bass (CA) said she thought that the proposal by Sen. Reid that asks for spending cuts, but no new revenues, is “going to be very, very hard for Democrats in the House,” to support said Bass. “The bottom line for us, “said Bass, “is a balanced approach. If you’re going to have cuts, you’re going to have to find some ways to raise revenues.” “I think it's going to be hard to get Democratic votes if it's not a balanced approach and I think it's also going to be important to see how many Republican votes come to the table you know I feel for Speaker Boehner. Frankly, I think that his caucus should allow him to negotiate the best deal they shouldn't hold him hostage either.”

Debt Ceiling – Won’t Pass – Republicans

**Debt ceiling won’t pass Republicans are holding the ceiling “Hostage.”**

**Krugman 11** (5/15/11 Paul Krugman NYTimes Mr. Krugman has written extensively for a broader public audience. Some of his recent articles on economic issues, originally published in Foreign Affairs, Harvard Business Review, Scientific American and other journals, are reprinted in Pop Internationalism and The Accidental Theorist MIT he became the Ford International Professor of Economics. http://www.nytimes.com/2011/05/16/opinion/16krugman.html “America held Hostage.”)

Six months ago President Obama faced a hostage situation. Republicans threatened to block an extension of middle-class tax cuts unless Mr. Obama gave in and extended tax cuts for the rich too. And the president essentially folded, giving the G.O.P. everything it wanted. Now, predictably, the hostage-takers are back: blackmail worked well last December, so why not try it again? This time House Republicans say they will refuse to raise the debt ceiling — a step that could inflict major economic damage — unless Mr. Obama agrees to large spending cuts, even as they rule out any tax increase whatsoever. And the question becomes what, if anything, will get the president to say no. The debt ceiling itself is a strange feature of U.S. law: since Congress must vote to authorize spending and choose tax rates, why have a second vote on whether to allow the borrowing that these spending and taxation policies imply? In practice, however, legislators have historically been willing to raise the debt ceiling as necessary, so this quirk in our system hasn’t mattered very much — until now. What has changed? The answer is the radicalization of the Republican Party. Normally, a party controlling neither the White House nor the Senate would acknowledge that it isn’t in a position to impose its agenda on the nation. But the modern G.O.P. doesn’t believe in following normal rules. So what will happen if the ceiling isn’t raised? It has become fashionable on the right to assert that it would be no big deal. On Saturday the editorial page of The Wall Street Journal ridiculed those worried about the consequences of hitting the ceiling as the “Armageddon lobby.” It’s hard to know whether the “what, us worry?” types believe what they’re saying, or whether they’re just staking out a bargaining position. But in any case, they’re almost surely wrong: seriously bad consequences will follow if the debt ceiling isn’t raised. For if we hit the debt ceiling, the government will be forced to stop paying roughly a third of its bills, because that’s the share of spending currently financed by borrowing. So will it stop sending out Social Security checks? Will it stop paying doctors and hospitals that treat Medicare patients? Will it stop paying the contractors supplying fuel and munitions to our military? Or will it stop paying interest on the debt? Don’t say “none of the above.” As I’ve written before, the federal government is basically an insurance company with an army, so I’ve just described all the major components of federal spending. At least one, and probably several, of these components will face payment stoppages if federal borrowing is cut off. And what would such payment stops do to the economy? Nothing good. Consumer spending would probably crash, as nervous seniors started wondering how to pay for rent and food. Businesses that depend on government purchases would slash payrolls and cancel investments. Furthermore, markets might well panic, especially if interest payments are missed. And the consequences of undermining faith in U.S. debt might be especially severe because that debt plays a crucial role in many financial transactions. So hitting the debt ceiling would be a very bad thing. Unfortunately, it may be unavoidable. Why? Because this is a hostage situation. **If the president and his allies operate on the principle that failure to raise the debt ceiling is an unthinkable outcome, to be avoided at all cost, then they have ceded all power to those willing to bring that outcome about**. In effect, they will have ripped up the Constitution and given control over America’s government to a party that only controls one house of Congress, but claims to be willing to bring down the economy unless it gets what it wants. Now, there are good reasons to believe that the G.O.P. isn’t nearly as willing to burn the house down as it claims. Business interests have made it clear that they’re horrified at the prospect of hitting the debt ceiling. Even the virulently anti-Obama U.S. Chamber of Commerce has urged Congress to raise the ceiling “as expeditiously as possible.” And a confrontation over spending would only highlight the fact that Republicans won big last year largely by promising to protect Medicare, then promptly voted to dismantle the program. But the president can’t call the extortionists’ bluff unless he’s willing to confront them, and accept the associated risks. According to Harry Reid, the Senate majority leader, Mr. Obama has told Democrats not to draw any “line in the sand” in debt negotiations. Well, count me among those who find this strategy completely baffling. At some point — and sooner rather than later — the president has to draw a line. Otherwise, he might as well move out of the White House, and hand the keys over to the Tea Party.

Debt Ceiling – Won’t Pass – Republicans

Debt ceiling doesn’t pass now; Republican’s won’t support Reid’s new plan.

Politico in 7/25 (7/25/11, “Harry Reid's debt plan unveiled”, <http://www.politico.com/news/stories/0711/59857.html>) AS

Reid presented his plan on Sunday night to President Barack Obama, who supports it as a way to increase the national debt limit. The plan also calls for $1.2 trillion in cuts to discretionary spending; $400 billion in interest savings; and $100 billion in mandatory savings that were negotiated in the bipartisan deficit talks led by Vice President Joe Biden. In exchange, the debt limit would be increased by $2.4 trillion. “This legislation would put to rest the specter of default,” Reid said, just eight days before the government is slated to hit its legal borrowing limit and run out of money to pay its bills. “Everything in our plan, [Republicans] have agreed to.” Indeed, even the savings from the two wars were included in the House-passed budget - drafted by Budget Chairman Paul Ryan (R-Wisc.), which virtually all Senate Republicans supported. But Kyl told POLITICO Monday that the GOP will likely oppose the Reid plan on those grounds. “It’s an accounting gimmick in effect, I know they rationalize that well, that appeared in the Ryan budget too,” Kyl said. “It was as wrong in the Ryan budget as it is in this. … Republicans, I don’t believe in the Senate, will support a bill that purports to cut spending if that’s the kind of the spending that it purports to cut.”

Republicans won’t vote for Reid’s plan; they don’t count OCO savings as cuts.

Huffington Post in 7/25 (7/25/11, “Description: http://entry-stats.huffpost.com/?909097&statsentryview446ba2dfcdd1c&http%3A//news.google.com/news/section%3Fpz%3D1%26jfkl%3Dtrue%26cf%3Dall%26q%3Dtopic%3Adebt_ceiling%26ict%3Dln&falseDebt Ceiling Debate Comes down To Iraq, Afghanistan Drawdown”, <http://www.huffingtonpost.com/2011/07/25/debt-ceiling-debate-troop-drawdown_n_909097.html>) AS

More importantly, as Jentleson notes, when Republicans were putting together their latest plan for deficit reduction, they counted the OCO savings as well. Indeed, in his budget plan that passed the House earlier this year, Rep. Paul Ryan (R-Wis.) tallied an estimated $1.04 trillion in savings from the OCO based on Congressional Budget Office estimates. When his Republican colleagues, including Speaker John Boehner (R-Ohio) repeatedly touted the $5.8 trillion in savings that the Ryan plan achieved, they did not offer rhetorical footnotes about how a good chunk didn't count because it came from pre-existing policy. When The Huffington Post raised the issue several weeks ago, House Majority Leader Eric Cantor's (R-Va.) office drew a distinction, saying that while everyone agrees that the drawdown of troops will provide savings over time, lawmakers would be hard-pressed to call it a "cut." "We have never counted OCO as a reduction, especially since it is happening anyway and has nothing to do with this debt deal," Cantor spokesman Brad Dayspring said at the time. "Personally, I don't think you should view this as real savings," said Todd Harrison, senior fellow for defense budget studies at the Center for Strategic and Budgetary Assessments. "It depends on what baseline you are comparing to. The Reid plan compares to the CBO baseline, which has to assume that current law will continue to the indefinite future."

Debt ceiling doesn’t pass; Republicans want a plan that will cause an issue again during election season.

Adams in 7/25 (Richard, writer for the Guardian, 7/25/11, “Deal or no deal, Republican disarray threatens the debt ceiling deadline”, <http://www.guardian.co.uk/world/richard-adams-blog/2011/jul/25/debt-ceiling-deadline-deal-talks>) AS

Following the various negotiations on raising the US debt ceiling is like nailing jelly to a wall. The plan that's not getting talked about is Plan Z: no plan and no deal. But it's a real possibility, because of Republican divisions and the blunt fact that time is running out. Why? It seems clear last week the Republicans were offered permutations of cuts that they could have accepted but didn't – for reasons of bare-knuckle politics and the divisions among the Republican members of the House of Representatives. On Friday, House Speaker John Boehner claimed he was willing to accept a deal that included $800bn in higher revenues – we don't say "tax increases," so crass – along with some big budget cuts but bailed when Obama tried to add a further $400bn in revenues. In fact, Boehner probably would not have been able to win support for even the version with a $800bn increase from House Republicans. For Boehner, success means pushing a debt ceiling deal through the House that passes on Republican votes alone. To have to rely on Democratic votes to pass a Republican leadership-backed plan would be an admission of failure on his part – and probably cost Boehner his job after the 2012 elections. But for a portion of the Republican House caucus, success also means pushing the "cap, cut and balance" programme that the hardliners have been supporting, including a balanced budget amendment (even though such an amendment barely registers as a blip on the radar of voters). And for many Republicans, political success also includes raising the debt ceiling by just enough to ensure that the whole issue erupts again in the midst of the 2012 election season, to maximise the pain for the White House and prolong the sense of chaos and uncertainty.

Debt Ceiling – Won’t Pass – Obama

Won’t pass – Obama is refusing to make a deal with House Republicans.

**Kuhnhenn in 7/26** (Jim, writer for the Associated Press, 7/26/11, “Democrats and Republicans clash over plans for debt ceiling”, <http://www.theglobeandmail.com/news/world/americas/democrats-republicans-clash-over-plans-for-debt-ceiling/article2110010/>) AS

Amid uncertainty in the House about the spending bill's prospects, Mr. Boehner told reporters, “This was negotiated in a bipartisan manner between both Houses of the Congress. I do think that we are going to have some work to do to get it passed but I think we can do it.” In the Senate, Majority Leader Harry Reid challenged Republicans to back his competing legislation, arguing that the no-taxes, government-cuts proposal was just what they wanted. “In short, it's everything the Republicans have demanded wrapped up in a bow and delivered to their door,” Mr. Reid said at the start of the Senate session. In a prime-time address Monday, Mr. Obama pleaded for compromise and urged Americans to contact their lawmakers. “We can't allow the American people to become collateral damage to Washington's political warfare,” Mr. Obama told the nation. Mr. Boehner, in a nationally televised rebuttal, said he had given “my all” to work out a deal with Obama. “The president would not take yes for an answer,” he said. Congressional officials said the House switchboard was near capacity with a high volume of calls and suggested using backup numbers. Unclear was whether the callers echoed Mr. Obama's argument or backed Boehner's call for his approach.

Debt Ceiling – Won’t Pass – Generic

No way debt ceiling passes – two opposing bills and veto threats

Bloomberg Press 7-26-11 (QBy James Rowley and Catherine Dodge - Jul 26, 2011 1:17 PM MT ““Obama Threatens to Veto Boehner’s Debt Plan”

“ <http://www.bloomberg.com/news/2011-07-26/obama-urges-u-s-debt-ceiling-deal-with-warning-of-deep-economic-crisis.html>) MG

The Obama administration threatened a presidential veto of House Speaker John Boehner’s two-step plan to raise the U.S. debt ceiling and cut $3 trillion in government spending. President Barack Obama’s Office of Management and Budget said it “strongly opposes” the measure, which the House is set to vote on tomorrow, and would recommend a veto if it were passed by Congress. Boehner is trying to round up the votes to pass the measure in the Republican-controlled House. The plan could lead to another debt-limit standoff next year. Senate Majority Leader Harry Reid, a Democrat, is seeking support for his alternative that would provide a $2.4 trillion increase, enough to get through the 2012 elections. A day earlier, Obama and Boehner made back-to-back televised speeches on their dueling visions to cut the deficit and raise the nation’s $14.3 trillion debt ceiling.

Debt Ceiling – Passage Inevitable

A deal will be reached in time – no default will occur.

Bull, Bohan, and MacInnis in 7/26 (Alister, Caren and Laura, writers for Reuters.com, 7/26/11, “White House official says confident U.S. won't default”, <http://www.reuters.com/article/2011/07/26/usa-debt-whitehouse-daley-idUSWNA481720110726>) AS

(Reuters) - A top White House official said on Tuesday he was confident a debt ceiling deal would come together before the Aug. 2 default deadline despite Republicans and Democrats remaining divided a week away. "There are lots of plans out there but I'm confident that the default that some people fear will not occur," Obama's chief of staff, Bill Daley, said on CNBC. Asked if Obama would veto legislation from House Speaker John Boehner if it reached the president's desk, Daley said it was "pretty obvious" that a two-step bill would not pass the Senate. He also noted that White House advisers have said they would recommend a veto of the Boehner plan.

Debt Ceiling – No Impact

**Failure to raise debt ceiling won’t cause default**

**Reed 7/13/11** (John T., author of 20 real estate investment books and is the sole writer and publisher of John T. Reed's Real Estate Investor's Monthly newsletter, and has received a master of business administration degree from Harvard Business School, “Not raising the debt ceiling will not cause default”, <http://johntreed.com/headline/2011/07/13/not-raising-the-debt-ceiling-will-not-cause-default/> 7/26/11 PJ)

The truth is:

1. There will be no default on U.S. government bond payments because of a refusal to raise the debt ceiling. Very simply, tax revenues are far more than enough to pay debt payments. Pay attention to cable TV for a hour or so and they will give you the actual numbers. Page A4 of the 7/14/11 Wall Street Journal has them.

2. How the various financial markets will react to refusal to raise the debt ceiling is unknown. O’Reilly says the Dow will fall 1,000 points. If he really knows that, he should short a Dow index.

Refusal to raise the debt ceiling will require cutting spending about 43%. The remaining 57% is enough to pay all the bonds and other big stuff like Social Security. Substantial cuts would be required in stuff like Medicare, Medicaid, defense, and all the other stuff.

Government shutdown does not hurt the economy – it’s empirically proven.

Fox News in 7/25 (7/25/11, “Congress Can Learn From 1995-96 Debt-Ceiling Debate”, <http://www.foxnews.com/opinion/2011/07/25/congress-can-learn-from-15-6-debt-ceiling-debate/>) AS

So what happened back then? After shutting down the government for five days in late November, a temporary extension to the debt ceiling was passed, but the government was shut down again from December 16th, 1995 to January 6th, 1996 before President Clinton finally agreed to the cuts that the Republicans in Congress had been pushing and a long term increase in the ceiling was enacted. Yet, no default ever occurred. In retrospect, it is not surprising. Default only occurs if the government stops paying interest on the money that it owes. Not increasing the debt ceiling only means that the government is forbidden from borrowing more money and that spending is limited to the revenue the government brings in. And, with interest payments on the debt making up only a small fraction of revenue, the interest itself was relatively easy to pay. Contrary to Democratic claims, these two shutdowns did not damage the economy. [Unemployment remained constant during December 1995 and January 1996 and fell slightly in February 1996.](http://johnrlott.blogspot.com/2011/05/with-all-scare-stories-about-what-will.html) And [quarterly GDP kept chugging along](http://johnrlott.blogspot.com/2011/05/with-all-scare-stories-about-what-will.html), growing as faster or faster during the fourth quarter of 1995 and the first quarter of 1996 than it had over the preceding four quarters. Stock prices also continued to rise throughout the whole drama, with the Dow Jones Industrial Average [rising by over 6 percent, from 4,873 on November 13th to 5,181 on January 5th](http://johnrlott.blogspot.com/2011/07/so-what-happened-during-debt-ceiling.html).

Debt Ceiling – No Shut Down

Failure to raise the debt ceiling does not mean government shutdown.

Piliero and Mazza in 7/20 (attorneys at law, 7/20/2011, “What happens when the debt ceiling is reached?” <http://www.lexology.com/library/detail.aspx?g=bbff985d-8d5f-457e-95c8-c943ea3d2bdb>) AS

As you may recall, earlier this year, the Federal Government came very close to a shutdown of its operations as a result of the near-failure of Congress to agree on a budget deal. In a “shutdown” scenario, there is an absence of appropriated funds for the Federal Government to conduct most of its operations. In contrast, if the debt ceiling is reached, there is no lack of appropriated funds. Instead, there is a crisis in the Government’s cash flow -- that is the Government can only spend what it has available in cash. Therefore, reaching the debt ceiling does not, by itself, require the Government to shut down, nor does it mean that the Government cannot continue to obligate funds or award contracts. Indeed, even if the debt ceiling is reached, the Government is likely to require contractors to continue working on contracts that are already awarded, or proceed on work for contracts that are to be awarded.

No default- just a short term prioritizing of payments.

Piliero and Mazza in 7/20 (attorneys at law, 7/20/2011, “What happens when the debt ceiling is reached?” <http://www.lexology.com/library/detail.aspx?g=bbff985d-8d5f-457e-95c8-c943ea3d2bdb>) AS

If Congress does not raise the debt limit before recessing on August 5, 2011 (the scheduled recess date), some observers have suggested that Treasury would likely prioritize payments for various programs; that is, pick “winners” and “losers” among those who are owed payment by the Government. By prioritizing payments, in theory, the Government could at least pay interest on U.S. Treasuries and make payments on certain programs that are deemed to be of highest priority, but delay payments on many federal programs of lesser priority. Although the legal authority of the Government to prioritize payments has been challenged by some observers, it nevertheless appears to be the most likely immediate outcome because there are few, if any, other available alternatives to the Government.

Debt Ceiling – Impact Inevitable

Non unique, their impacts are already happening.

Zames 11 (4/25/11 Matthew E. Zames, a managing director at JPMorgan Chase and the chairman of the Treasury Borrowing Advisory Committee, which meets quarterly with the Treasury Department. http://economix.blogs.nytimes.com/2011/04/26/what-happens-if-the-debt-ceiling-isnt-raised)

Finally, I would emphasize that because the long-term risks from a default are so large, a prolonged delay in raising the debt ceiling may negatively impact markets **well before a default actually occurs**. This is because investors will likely undertake risk-management actions in preparation for a potential default. For example, borrowers who rely on short-term funding markets, including the GSEs, may attempt to pre-fund themselves or hold excess liquidity through July, distorting money market rates. Additional effects could include large auction concessions, especially if Treasury were forced to delay auctions for cash management purposes. I would also expect to see weaker demand for Treasury securities as uncertainty increases on whether the debt limit will be raised. Both of these effects would negatively impact Treasury’s borrowing costs. Given the magnitude of the adverse consequences a default would have on Treasury borrowing costs and the health of the broader economy, action is urgently needed to increase the statutory debt limit. Swift action would also help ease the existing uncertainty in financial markets that could begin translating into real market impacts well before Treasury exhausts extraordinary actions at its disposal to postpone a default. Notwithstanding your significant efforts to date, your continued attention to this important issue is greatly appreciated.

The impact is NUQ – our credit rating has already plummeted the Dow and reduces our credit rating

Dow Jones Newswire 7-26 (“US Stocks Drop As Deadlock On Debt Ceiling Prompts Concerns”, JULY 26, 2011, 12:38 P.M. ET http://online.wsj.com/article/BT-CO-20110726-714146.html)

NEW YORK (Dow Jones)--U.S. stocks dropped Tuesday as a mixed batch of earnings reports failed to stem investor caution over the lack of progress on U.S. debt talks. The Dow Jones Industrial Average fell 60 points, or 0.5%, to 12533 in early afternoon trading, putting the blue-chip index on track for its fourth loss in five sessions. 3M led the index lower, sinking 4.8%. The conglomerate expects one of its biggest businesses, films used in flat-screen television sets, to remain weak in the second half of the year. 3M accounted for more than half of the Dow's declines. The Standard & Poor's 500-stock index fell 2 points, or 0.1%, to 1336, as industrial and material stocks declined. The technology-oriented Nasdaq Composite gained one point to 2844. The Dow had lost 131 points over the previous two sessions as the deadlock in Washington's debt negotiations has curbed investor enthusiasm. Financial markets on Monday began taking seriously the prospect of a downgrade of the U.S.'s triple-A credit rating, as Republicans and Democrats appear further apart on reaching a deal to reduce the nation's fiscal deficit and increase the limit on federal borrowing. "As the clock ticks away, the probability of a downgrade becomes larger," said Natalie Trunow, chief investment officer of equities at Calvert Investment Management. "We're playing with fire."

Debt Ceiling – Impact Inevitable

No Internal link, It doesn’t matter if Congress raises the debt ceiling, their impacts will still happen

CNN Money 11 (7/15/11 CNN Money “US credit raising debt limit isn’t enough” http://money.cnn.com/2011/07/15/news/economy/debt\_ceiling\_credit\_rating/index.htm?iid=EAL)

NEW YORK (CNNMoney) -- If only lawmakers would raise the debt ceiling before Aug. 2, the United States will get to keep its top-notch credit rating. Right? Yes, but not necessarily for long. Two key ratings agencies have said they are expecting policymakers to not only raise the debt ceiling but to agree to meaningfully reduce the debt. Moody's Investors Services said Wednesday it would likely [change its outlook](http://money.cnn.com/2011/07/13/news/economy/debt_ceiling_moodys/index.htm?iid=EL) on the AAA rating to "negative" from "stable" unless "substantial and credible agreement is achieved on a budget that includes long-term deficit reduction." Standard & Poor's on Thursday [took it a step farther](http://money.cnn.com/2011/07/14/news/economy/debt_ceiling_credit_warning/index.htm?iid=EL), announcing there was a one-in-two chance it would downgrade the United States within **90 days**. To date, the United States has enjoyed its AAA rating in part for having always stood behind its debt and paid its bills on time. As a result, U.S. Treasury bonds are considered the world's safe-haven investment. President Obama told congressional leaders to decide by Friday whether they can make progress on a broad debt reduction package. If they can't, the sole focus of the talks will shift to negotiating how to increase the debt ceiling. Moody's didn't define specifically what it meant by a "substantial and credible" agreement for debt reduction, but presumably having absolutely no agreement would not qualify. 0:00 / 2:37 Obama: I still want a big deal, but ... Nor is it clear if a smaller debt-reduction deal than the one hoped for by fiscal experts will make the grade with Moody's. A package of $4 trillion in spending cuts and revenue increases is widely considered by fiscal experts to the best way to start reining in the otherwise unsustainable trajectory in U.S. debt. S&P appears to be looking for that kind of $4 trillion "grand bargain," as it's been called. Were the Congress and the White House to strike such a deal, the agency said it could affirm the country's AAA rating "if we conclude that such an agreement would be enacted and maintained throughout the decade." And, not insignificantly, the agency added that "**for any agreement to be credible, we believe it would require support from leaders of both political parties**." If lawmakers raise the debt ceiling and appear on track to agree within a few months on debt reduction**, S&P said it would affirm the country's AAA rating but assign a "negative outlook, pending review of the eventual plan**." Federal Reserve Chairman Ben Bernanke told lawmakers on Thursday that he never favored linking the debt ceiling vote to a debt-reduction package. But they were linked, and that built up expectations that a big deal would happen. Now, if lawmakers fail to show the political will necessary to produce a substantive bipartisan agreement, that may have repercussions. "I don't know how quickly or in what degree the markets would respond, but I think they are looking to Washington to show that they can, you know, manage their spending and control deficits over a long period of time," Bernanke said. What will matter, too, is not just the size of the deal, but the content, said Maya MacGuineas, president of the Committee for a Responsible Federal Budget: "If lawmakers end up with a debt-reduction package of any size that fails to address entitlements and the tax code, it's not at all clear that would be sufficient to reassure credit rating agencies and markets." Former Treasury official Jay Powell told CNN Radio's Lisa Desjardins that he thinks chances are good that S&P will downgrade the United States, given how far lawmakers are from agreeing on a $4 trillion package. "No matter what deal is done -- if it doesn't qualify for that (longterm solution) -- then we have **at least** a 50-50 chance of being downgraded," said Powell, who cowrote a Bipartisan Policy Center analysis detailing the potential fallout if lawmakers don't raise the ceiling.

SKUFTA – Will Pass – Trade Rep

Will Pass – still on the edge

Arirang 7/27/11 (“US Trade Representative Expresses "Optimism" On Congressional Approval of KORUS FTA In Sept.” <http://www.arirang.co.kr/News/News_View.asp?nseq=118568&code=Ne2&category=2>) MG

US Trade Representative Ron Kirk is optimistic that Congress would pass free-trade pacts with South Korea, Colombia and Panama shortly after lawmakers return from a month-long congressional recess in September. During a speech to the Bretton Woods Committee on Tuesday Kirk said that he believed that the Obama administration had worked out a deal with congressional leaders to ensure passage of the three trade pacts and Trade Adjustment Assistance, a retraining program for American workers displaced by trade. This is the first time that a US senior official has specifically mentioned the September timeline for the FTAs.

SKUFTA – Will Pass – Bipart

Will Pass – Bipart support

Textile News 7-19-11 (Senate, House Committees Approve FTAs Following Mock Markups, http://www.textileworld.com/Articles/2011/July/Senate\_House\_Committees\_Approve\_FTAs.html)

At the same time, there is widespread bipartisan support for the three FTAs, which are seen as instruments to increase U.S. export trade, and leaders of both committees have warned that while the United States delays implementation of these agreements, the U.S. jobs they purportedly will create will go instead to workers in other countries and regions that have signed FTAs with these countries — most notably, the European Union, which has just implemented a FTA with South Korea; and Canada, whose FTA with Colombia will be implemented in August.

SKUFTA – Will Pass – A2: South Korea

Ruling party has agreed to pass FTA – opposition can’t stop them

Korea Times 7-21-11 (“GNP pledges to pass KORUS FTA by August” http://www.koreatimes.co.kr/www/news/nation/2011/07/113\_91321.html)

Rep. Hong Joon-pyo, chairman of the Grand National Party (GNP), said Thursday that the Korea-U.S. FTA bill should be passed through the extraordinary session of the National Assembly in August. He said it would be even more difficult to pass the bill should it be moved on to the regular session in September. Hong made the remarks during the ruling party’s policy meeting with the administration and the presidential office on Thursday. “Important bills such as the Korea-U.S. FTA, which are for the benefit of the state and the people, should be passed during the August National Assembly for the benefit of the nation and the people,” he said. “After the August National Assembly kicks off, other bills are hard to pass except domestic-related ones pertinent to the nationalbudget and inspection of state the administration.” He also stressed the role of the party in the relationship with the government. “No matter how good the policies of the Lee Myung-bak administration are, it will be of no use unless the National Assembly finalizes them," said Hong, citing the need for support from the governing party in its bid to pass the trade bill. Party spokesman Kim Gi-hyeon said after the meeting that the government had requested the GNP pass the bill next month, which it agreed to. Rep. Nam Kyung-pil, chairman of the parliamentary committee on foreign affairs, unification and trade, and a member of the GNP’s supreme council, asked for a flexible approach to the issue concerning the delay of the trade pact’s ratification by the U.S. Congress. “We don’t have to act ahead of the United States,” said Nam. “I will hold on to the principles of keeping pace with the U.S. and not force the bill physically.” But at the same time he added that once the bill is introduced in the U.S., it would be passed quickly as the U.S. Congress had already finished with their deliberations on the trade pact, insisting on further in-depth discussion with other concerned parties.

SKUFTA – Will Pass – Pol Cap Key

Prospects are great, but it’s going to be politically costly – Obama needs all his pol cap for SKUFTA

JoongAang Daily 7-26-11 “[Viewpoint] Endgame for Korus” “The political cost to Obama of attempting to pass trade deals will increase rapidly and at some point become unbearable.” http://joongangdaily.joins.com/article/view.asp?aid=2938477

Four years after striking an initial deal with Korea, and after a number of significant revisions to that deal, President Barack Obama has finally announced a plan for Congressional consideration of the Korea-U.S. FTA (Korus), and he hopes for ratification prior to the Congressional recess in August. Under his plan, the Senate, controlled by Obama’s Democratic Party, will soon begin consideration of the legislation, with subsequent review by the Republican-controlled House. Prospects for the passage of Korus have never been so good, and there are grounds for optimism. Obama’s plan for Korus’ ratification, however, is a high-stakes political gamble in an enormously complicated political environment. After trying for months to forge a bipartisan consensus on the ratification, Obama has changed course and opted to try to push Korus through Congress in tandem with other controversial trade legislation. To succeed in this gamble, Obama must overcome a number of immediate challenges under great time pressure.

SKUFTA – Won’t Pass – Timeframe

SKFTA won’t pass before august recess

[Sonmez](http://www.washingtonpost.com/felicia-sonmez/2011/03/03/ABfoBaN_page.html) 7/22/11 (Felicia, from the Washington Post “McConnell: Progress on trade deals ahead of August recess not likely” <http://www.washingtonpost.com/blogs/2chambers/post/mcconnell-progress-on-trade-deals-ahead-of-august-recess-not-likely/2011/07/22/gIQAXf6oTI_blog.html>)

Senate Minority Leader Mitch McConnell (R-Ky.) said Friday that it’s unlikely that three key trade deals — with Colombia, South Korea and Panama — will make their way through Congress before the August recess. A disagreement between congressional leaders and the White House over an assistance program for workers has held up the pacts. In remarks on the Senate floor, McConnell said that he believed “every sticking point seems to have been resolved” on the trade deals, but that the tight calendar facing Congress makes it unlikely they will be taken up before lawmakers leave Washington in early August. “I recognize that the calendar is tight,” [McConnell said](http://mcconnell.senate.gov/public/index.cfm?p=PressReleases&amp;ContentRecord_id=fb710ecd-7c8b-4153-ae4c-c20c2724114c&amp;ContentType_id=c19bc7a5-2bb9-4a73-b2ab-3c1b5191a72b&amp;Group_id=0fd6ddca-6a05-4b26-8710-a0b7b59a8f1f). “We’ve got a lot of other urgent business to take care of around here. So I don’t expect to finish any of this before August. Still, I think the administration should submit them anyway as a show of good faith with our trading allies in Korea, Colombia, and Panama. Then we can work to pass them when we return.”

SKUFTA – Won’t Pass – South Korea

Won’t pass in South Korea – opposition party holding up

Arirang 7/22/11 (“Rival Parties Make Little Progress over KORUS FTA” <http://www.arirang.co.kr/News/News_View.asp?nseq=118434&code=Ne2&category=2>) MG

Korea's rival political parties are making little progress on narrowing their differences over the pending Korea-US free trade agreement. The government, the ruling Grand National Party and the main opposition Democratic Party met for the third time on Friday to discuss the trade pact, amid calls by opposition lawmakers to renegotiate the deal. Earlier in the week, the DP put forward its so-called "Ten plus two" proposal, which calls for revisions to ten items in the pact and the addition of two measures to minimize the deal's effect on local industries. While the main opposition party said renegotiations of some parts of the deal are in the national interest, the ruling party said nine out of the ten parts were agreed upon by the DP and Washington when the DP was in power in 2007.

SKUFTA – Won’t Pass – TAA

Despite bipartisan agreement on SKFTA – TAA holds up passage

Textile News 7-19-11 (Senate, House Committees Approve FTAs Following Mock Markups, http://www.textileworld.com/Articles/2011/July/Senate\_House\_Committees\_Approve\_FTAs.html)

Last week, the Senate Finance Committee and the House Ways and Means Committee held mock markup sessions for free trade agreements (FTAs) between the United States and Colombia, South Korea and Panama. Both committees approved the pacts, which were signed in 2006 and 2007 and are expected to be submitted by the Obama administration for congressional approval in the near future, but there is partisan disagreement regarding the issue of whether or not to include within the U.S.-Korea FTA (KORUS) extension of Trade Adjustment Assistance (TAA) for workers, businesses and farmers impacted by increased trade. TAA was created in 1962 and subsequently amended in 1974 and 2002. In 2009, the program was further expanded as part of the Recovery Act, and the 2009 provisions expired in February of this year. In negotiations involving the Obama administration and House and Senate leaders to extend TAA, provisions have been reduced to 2002 levels and in some areas have been reduced even below those levels, with complete expiration of the program slated at the end of 2014. Democrats in Congress want to tie the extension to KORUS, while Republicans want TAA to be treated in separate legislation. At the same time, there is widespread bipartisan support for the three FTAs, which are seen as instruments to increase U.S. export trade, and leaders of both committees have warned that while the United States delays implementation of these agreements, the U.S. jobs they purportedly will create will go instead to workers in other countries and regions that have signed FTAs with these countries — most notably, the European Union, which has just implemented a FTA with South Korea; and Canada, whose FTA with Colombia will be implemented in August. The Senate Finance Committee, with its Democratic majority, approved the agreements with the inclusion of the TAA extension in KORUS; while the House Ways and Means Committee, with its Republican majority, approved them without the TAA extension, and there was no provision made for moving TAA forward. Votes in both committees were divided along partisan lines. At present, it is not clear whether the House will ultimately support the Obama administration's objective of presenting a package for approval that includes both the FTAs and TAA.